CONFIDENTIAL

TOWN OF WALKERVILLE

Decision Report Item Number 17.3

Remuneration Tribunal Submission

Report Date: 17 February 2025

Reporting Officer: Chief Executive Officer, Dr Andrew Johnson

Responsible Manager: Chief Executive Officer, Dr Andrew Johnson

Previous Reference: N/A

Report Purpose

To formulate a Council response to the Remuneration Tribunal Draft Report on the 2024 Review of Minimum and Maximum Remuneration for Local Government Chief Executive Officers.

Confidentiality Recommendation (Public)

Pursuant to section 90(2) and 90(3)(j)(i)

Pursuant to section 90(2) of the *Local Government Act 1999* (the **Act**), the Council orders that all members of the public, except the Chief Executive Officer, Dr Andrew Johnson; Group Manager Assets & Infrastructure, James Kelly; Group Manager Finance, Muhammad Jawad; Group Manager Public Relations, Sarah Spencer; Team Leader People, Governance & Risk Jim Dickens; and Policy Development Officer, Brittany Hensley, be excluded from attendance at the meeting for Agenda Item *17.3*.

The Council is satisfied that pursuant to sections 90(3)(j)(i) of the Act, the information to be received, discussed and considered in confidence as the information in relation to this agenda item includes information of a confidential nature (not being a trade secret) the disclosure of which would divulge information provided on a confidential basis or to a Minister of the Crown, or another public authority or official.

Accordingly, on this basis, the Council is satisfied that the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information or matter confidential.

Officer Recommendation (Confidential)

1. **That Council endorse and authorise Mayor Melissa Jones to lodge the draft submission, shown in Attachment B to this report, to the Remuneration Tribunal, in response to the Tribunal's Draft Report on the 2024 Review of Minimum and Maximum Remuneration for Local Government Chief Executive Officers.**

2. **That the Mayor be authorised to amend the attached submission to align with any other submission made by ERA and the LGA if deemed appropriate.**

Discussion

On 20 January 2025, the Remuneration Tribunal released a draft determination in relation to the minimum and the maximum remuneration for chief executive officers in the Local Government sector, following a substantial review of the inaugural determination issued in 2023.

The draft determination is open for consideration and submissions from interested parties until 12 March 2025, and it is anticipated that the determination will be issued 'soon after' and take retroactive effect from 1 January 2025.

The draft determination proposes a number of changes that will cause significant modifications to the way councils are currently managing their CEO's remuneration.

On a positive note, the report accompanying the draft determination (Attachment A) acknowledges the difficulties many councils experienced in determining whether certain benefits provided to CEOs constituted 'remuneration' for the purposes of the inaugural determination or determining the value of certain benefits (in particular motor vehicles, where the methods used to calculate the cost of the vehicle and its private use components varied greatly between councils).

It is noted that the clarification of 'remuneration' by the Tribunal does not impact the current contract between Council and its CEO.

The Tribunal has undertaken a significant review of the band classifications initially set out in the inaugural determination. The new bands are based primarily on a council's total operating revenue, but also takes into consideration, to a lesser degree, projected population growth, population dispersion, distance from Adelaide and socio-economic advantage/disadvantage.

It is believed that this approach does not adequately take into consideration factors and challenges facing certain councils, including Town of Walkerville. It is noted that the Remuneration Tribunal considered alternative proposals for calculating remuneration, but the Tribunal considered them to be dated or insufficient in characterising CEO functions and the complexity of the role.

The change to the bands means that the remuneration currently paid to some CEOs will no longer fall within the band in which their council sits, significantly so in the case of Town of Walkerville.

Given the potential implications, the Tribunal has provided a "Phased in Compliance" period where councils will have one year to ensure that their CEO's remuneration falls within the new band (or two years if an increase or reduction of $5,000 or more per annum will be required).

In the case of Town of Walkerville, the Tribunal proposes to change the Council's classification from Band 5 ($299,520 - $323,544) to Band 7 ($207,650 - $246,230), which represents a reduction of $53,290 (or 18%) from the current bottom of Band 5 ($299,520) and the proposed top of Band 7 ($246,230). Noting that the Council appointed its current CEO in December 2024, at the bottom of Band 5, the proposed change represents a significant reduction in salary of the CEO. Further, given the significant proposed reduction in the CEO's salary, the two-year phase-in period is considered grossly inadequate, given there is five years remaining in the current CEO's contract.

While the Tribunal's proposal has a significant immediate impact on the current CEO and the Council, the proposed banding of Town of Walkerville is also expected to have a long-lasting impact on the Council's ability to recruit an experienced CEO or having an experienced director of a metropolitan council step up to the role of CEO at Town of Walkerville.

It is understood that the Local Government Association is currently in discussions with its legal partner and the sector, with the view of providing a sector-wide response to the Remuneration

Tribunal Report. Recent discussions at an ERA Mayor's meeting indicated that ERA may also put in a submission to the Tribunal. At the time of writing this report, it was unclear as to the approach that the LGA and ERA would take to their submission.

It is suggested that Council should consider providing its own submission to the Remuneration Tribune on the draft report, due to the significant immediate and long-term impacts on the Council. To this extent, a draft submission is attached for the consideration of Council (Attachment B).

The submission's strong recommendations to the Tribunal is that:

- the existing contracts with current CEOs should be honoured and grandfathered out for the remaining term of the existing contract (rather than a two-year phase-in period); and
- the Tribunal should review the band that Town of Walkerville has been included in as the Council believes that it is inappropriate and that it will hamper future efforts to recruit a suitable CEO.

The draft Council submission also provides the justification for these recommendations.

The Council is asked to consider making a submission to the Remuneration Tribunal, review and provide any feedback on the proposed draft submission and authorise Mayor Melissa Jones to submit it to the Remuneration Tribunal.

Financial Implications

While the Tribunal's draft report has the potential to save Council funds in what it has to pay its CEO, this amount may be offset by the cost to Council resulting from its inability to attract and retain a suitably experienced CEO, now and into the future

Risk Implications

The risk has been accessed as high, due to the belief that the Tribunal's draft report has the potential to disrupt Council's operations and service delivery in the short term, and impact the Council's ability to attract and retain a CEO in the medium to long term.

Attachments

Attachment A	Remuneration Tribunal Draft Report on the 2024 Review of Minimum and Maximum Remuneration for Local Government Chief Executive Officers
Attachment B	Draft Submission to the Remuneration Tribunal

Confidentiality Recommendation (Public)

Pursuant to section 91(7)

That having considered Agenda Item *17.3* in confidence under section 90(2) & 90(3)(j)(i) of the Act, the Council, pursuant to section 91(7) of that Act orders that the report, minutes and all attachments to this Agenda Item be retained in confidence until the matter has been finalised, and that pursuant to section 91(9)(c) of the Act the Council delegates to the Chief Executive Officer the review and power to revoke this Order.

No. X of 2024

REPORT OF THE REMUNERATION TRIBUNAL

2024 Review of Minimum and Maximum Remuneration for Local Government Chief Executive Officers

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INTRODUCTION

1. In September 2021, section 99A of the *Local Government Act 1999* (**LG Act**) came into effect. This section requires the Remuneration Tribunal (**Tribunal**) to determine the minimum and maximum remuneration payable to Chief Executive Officers (**CEOs**) of Councils.

2. On 16 June 2023, the Remuneration Tribunal issued its inaugural Determination and Report of Local Government CEO minimum and maximum remuneration levels. Report 4 of 2023 details the approach of the Tribunal at that time and the issues which led to the inaugural Determination.

3. On 28 June 2024, the Tribunal issued a second Report and Determination in which it advised that it was undertaking a substantial review of the inaugural Determination, which it anticipated would be concluded by the end of 2024. As an interim step, the Tribunal provided a 2% increase to the maximum remuneration amounts.

4. The Tribunal has been provided with a substantial amount of information, together with widely divergent submissions.

5. In this Report the Tribunal has detailed its approach to this comprehensive review and explained the process and approach adopted to establish a series of bands which consider key Council characteristics. The Tribunal has taken the unusual step of issuing a draft Determination based on this Report and is providing the opportunity for comment on this until 12 March 2025. That Determination, once finalised, will have effect from 1 January 2025.

6. The Tribunal has adopted a framework for the grouping of Councils which is substantially based on total operating income as the primary indicator of CEO role complexity. Four other Council characteristics have been incorporated into this framework to recognise critical distinguishing factors between Councils (projected population growth, population dispersion, distance from Adelaide, socio-economic advantage / disadvantage). The framework provides for eight bands of Councils, with a separate category for the Adelaide City Council. Minimum and maximum remuneration levels have then been allocated to each band.

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Legislative Provisions

7. Section 14 of the *Remuneration Act 1990* (SA) (**Act**) provides that the Tribunal has jurisdiction to determine the remuneration, or a specified part of the remuneration, payable in respect of certain offices, if that jurisdiction is conferred upon the Tribunal by any other Act or by the Governor, by proclamation.

8. Section 99A of the LG Act confers jurisdiction upon the Tribunal to determine the minimum and maximum remuneration that may be paid or provided to CEOs of Councils constituted under the LG Act.

9. That jurisdiction is confined to the specification of minimum and maximum amounts only. It is not within the Tribunal's jurisdiction to determine allowances in addition to the minimum and maximum remuneration amounts. It follows that the Tribunal must adopt a consistent approach to the definition of what is, and what is not, included within the definition of remuneration. This Report seeks to provide further clarity in this respect.

10. Additionally, it is important that the Tribunal notes that section 147(5) of the *Statutes Amendment (Local Government Review) Act 2021* (SA) is significant in that it refers to CEOs who were holding office at the commencement of the LG Act.

11. This section states:

> "The remuneration of a chief executive officer holding office on the commencement of section 99A of the principal Act (as inserted by this Act) is not affected during the term of that office by a determination under section 99A."

12. The Tribunal has adopted the position that Councils who had contracts with their CEO in place prior to 20 September 2021, when the LG Act commenced, are not obligated to comply with the Tribunal's determinations, to the extent to which these contracts may be inconsistent. The Tribunal has not sought to differentiate between Councils in this respect, given the stated object of the LG Act was that the Tribunal should set salaries for Council CEOs to provide assurances to communities that CEOs are paid appropriately for the work they do.

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13. Any Council that is unsure about its obligations to comply with this Report and Determination, or the various components that constitute remuneration as provided for in this Report or Determination, should seek legal and/or tax advice.

The Inaugural Report

14. Information initially provided to the Tribunal in 2023 demonstrated widely divergent approaches to how remuneration was defined and assessed, and demonstrated significant and largely unexplained diversity between remuneration amounts for Councils. The inaugural Determination placed Councils in remuneration bands that were determined based on the data provided by Councils in relation to the total remuneration package of their CEO. The bandwidth for each band varied between $6,240 and $32,240. This inaugural Report identified significant differences in how Councils assessed and reported on CEO remuneration. The most significant differences related to how the value of motor vehicles, housing and additional leave entitlements were recognised. In the inaugural Report the Tribunal set out its approach to the definition and quantification of remuneration, which stated:

> "67. The Tribunal's preference is to progress toward establishing minimum and maximum remuneration levels founded on an assessment of skill and competence levels. Such an approach would allow the flexibility to set remuneration consistent with the challenges confronting a given council. However, the limited information available to the Tribunal, combined with the very small number of submissions, simply does not support such an approach at this time. Councils are encouraged to make submissions about such an approach in the future.
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> 68. The Tribunal is not able to determine the minimum and maximum remuneration levels based on factors such as the geographical size of the council, revenue of the council and other factors as listed in paragraph 18 above. It considers these factors to be sensible criterion to guide any future determinations of the Tribunal, however, under the current legislation such an approach requires the cooperation of councils.
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> 69. For this inaugural review, the Tribunal has determined to group councils into eight bands. While these bands have some generally common characteristics, the Tribunal recognises differences and potential anomalies in terms of council characteristics within and between some of these bands. Each band is based on the data provided by councils in relation to the total remuneration package of their CEO. The Tribunal has then applied assumptions in relation to the value of the provision of a motor vehicle and any additional leave entitlements beyond that of usual administrative staff. This has resulted in a figure described as an "adjusted total remuneration package" for each CEO who is covered by this review."

15. In June 2024, the Tribunal issued Report and Determination 1 of 2024 which noted that a substantial review of the inaugural Determination was being undertaken and provided for a 2% increase to the maximum amounts. In that Report the Tribunal indicated its intention to complete this review by the end of 2024.

Submissions

16. Following the inaugural Determination the Tribunal received limited feedback from Councils about its approach. This went to concern about groupings and the extent to which individual Councils would seek reviews based on their circumstances.

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17. The Tribunal met with the Local Government Association to discuss future approaches, including the costs associated with any review. The Tribunal notes that these costs are ultimately allocated to Councils by virtue of the LG Act.

18. In February 2024, the Tribunal issued a brief consultation paper which identified options for comment and consideration by Local Government CEOs, Mayors, and elected members. Consistent with the requirements of section 10(2) of the Act, the Premier and the Minister for Local Government were also invited to make submissions in response to this paper.

19. The Tribunal received 35 submissions in response to the consultation paper. The entities that made submissions are listed below.

Council	Submission made on behalf of	Summary of issues raised
Kangaroo Island Council	Council	• Position description and small amount of information provided in relation to remuneration arrangements.
District Council of Orroroo Carrieton	CEO	• Remote locality issues and access to essential services. • Considerations of size of the workforce. • Legislative responsibility is the same for all CEOs. • Support for individual expert review.
Mayor, Wattle Range Council	Individual	• Suggested use of elected member bands and noted close alignment with McArthur Categories and Australian Council of Local Government classifications.
City of Tea Tree Gully	Council	• Provided specific Council characteristics and complexities of the role. • Suggested use of elected member bands.
Lower Eyre Council	Council	• Support for individual expert review. • Whilst it was not resolved by Council, some members wanted to raise concerns about the Tribunal inadvertently placing Council's under financial pressure to provide a remuneration package they cannot afford and suggested another viable option may be to allow Council's to determine remuneration for their CEO.
Whyalla City Council	Council	• Supported an individual expert review. • Suggested use of elected member bands. • Proposed a more limited definition of remuneration with increased regional allowances. • Noted that the motor vehicle setting process needs to be clarified as well as the provision of accommodation. • Noted the salary for a temporary/interim/acting CEO has not been considered by the Tribunal.

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City of Mount Gambier	Council	• Provided specific Council characteristics and complexities of the role. • Proposed use of a combination of elected member bands and the WA system. • Suggested further clarification of remuneration definitions.
Administrator, District Council of Coober Pedy	Administrator	• Proposed an individual expert review with costs shared by the SA Government. • Requested better recognition of regional and remote locality issues, access to essential services including accommodation and cost of living issues, resourcing issues and additional responsibility for distribution of electricity and water supply.
Naracoorte Lucindale Council	Council	• Suggested use of elected member bands and/or Australian Council of Local Government classifications and/or McArthur salary survey. • Utilise information already received by the Tribunal.
Mayor, City of Marion	Individual	• Suggested use of WA model and elected member bands. • Considerations to geographic size, revenue, number of electors, diversity and complexity of CEO functions and duties. • Possible use of Local Government Association grouping approach to determine membership fees.
Mayor, District Council of Yankalilla	Individual	• Supported an individual expert review. • Suggested use of elected member bands.
Southern Mallee District Council	CEO	• General support for the Port Adelaide Enfield Council CEO submission.
City of Charles Sturt	CEO	• Support for the Port Adelaide Enfield Council CEO submission. • Supported an individual expert review, with the cost shared on a scalable formula, rather than an equal basis.
Copper Coast Council	Council	• Supported an independent expert review and/or use of elected member bands. • Proposed a more limited definition of remuneration increasing regional allowances and excluding Fringe Benefits Tax.
The Rural City of Murray Bridge	CEO and elected members	• Proposed a more limited definition of remuneration with increased regional allowances, akin to WA model.

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Manager, People and Culture, City of Port Lincoln	Council	• Supported an individual expert review.
City of Port Adelaide Enfield	CEO with support indicated by 51 CEOs	• No support for an independent expert review. • Support for the WA type approach linked to existing elected member bands and suggested banding approach in this regard.
City of Adelaide	Council	• Support for an independent expert review.
City of Campbelltown	Council CEO performance management review Panel Chair	• Support for an independent expert review.
Mayor, City of Holdfast Bay	Individual	• Support for the WA type approach linked to existing elected member bands, with the opportunity to make submissions where unique factors exist. • There should be capacity for individual Councils to obtain reviews based on work value considerations.
City of Playford	Council	• Supported equivalent banding between elected members and CEOs with remuneration levels assessed by a consultancy firm. • Future reviews should reflect the complexities of growing communities.
City of Salisbury	Council	• Supported use of an independent expert review whereby consideration is given to categorisation similar to elected member bands, having regard to role, size, population, revenue, economic, social, demographic and regional factors.
Barunga West Council	Council	• Supported consideration of elected member bands. • Supported use of an independent expert review, with the same entity engaged who developed the WA model. • Proposed a more limited definition of remuneration with increased use of regional allowances and excluding Fringe Benefits Tax. • Proposed a remoteness allowance.
Mayor, District Council of Kimba	Council	• Supported an individual expert review. • Suggested use of elected member bands. • Proposed a more limited definition of remuneration with increased regional allowances. • Noted that the motor vehicle setting process needs to be clarified as well as the provision of accommodation.

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		• Noted the salary for a temporary/interim/acting CEO has not been considered by the Tribunal.
Wakefield Regional Council	CEO	• Suggested some variables may include rateable and type of properties, size of LGA, proximity to major urban centres, assets under management vs ability to raise rates, commercial operations, community facilities, lack of services. • With impacts on remuneration including security of tenure, length, complexity of role, organisational structure, physical location, vehicle and housing allowances, competition from other employment sectors, relevant experience required.
Tatiara District Council	Council	• Supported use of an independent expert review and consideration of use of the elected member bands.
Wudinna District Council	CEO and Mayor	• Supported consideration of elected member bands. • Supported use of an independent expert review, with the same entity engaged who developed the WA model. • Proposed a more limited definition of remuneration with increased use of regional allowances and excluding Fringe Benefits Tax.
City of Onkaparinga	Council CEO Performance Management Committee	• Supported use of an independent expert review / adoption of the WA model. • Supported use of the elected member bands.
Coorong District Council	Council	• Supported the Port Adelaide Enfield Council CEO submission. • Supported adoption of the WA model linked to existing elected member bands. • Proposed increased flexibility for Councils to set CEO remuneration.
	Elected members	• CEO remuneration should be a self-determining role of Councils. • Regional Councils need flexibility in package arrangements to compete against larger metropolitan Councils.
The District Council of Ceduna	CEO	• Supported an individual expert review. • Suggested use of elected member bands. • Proposed a more limited definition of remuneration with increased regional allowances.

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		• Noted that the motor vehicle setting process needs to be clarified as well as the provision of accommodation. • Noted the salary for a temporary/interim/acting CEO has not been considered by the Tribunal. • Provided some Council characteristics.
Yorke Peninsula Council	Council	• Information about current remuneration and position description provided.
Mid-Murray Council	Council	• Proposed use of an independent expert review with consideration of the WA model and possible application of the elected member bands. • Any anomalies to be reviewed by exception. • Recommended the bands be indexed annually by an independent standard such as CPI with the opportunity to request exemptions based on individual circumstances or performance. • Reviews to then be considered on a 4-year cycle.
The Corporation of the Town of Walkerville	Council	• Supported the use of an independent expert review. • Raised concerns about the effectiveness of the legislation and provided information about its recent recruitment process.
District Council of Grant	CEO and elected members	• Supported use of the elected member bands consistent with the Port Adelaide Enfield Council CEO submission. • Noted that salary bands should be broader and overlapping. • Suggested the Tribunal be tasked with reviewing unfair contract clauses/conditions. • Proposed a more limited definition of remuneration with increased use of regional allowances and excluding Fringe Benefits Tax.
City of Port Augusta		• CEO Remuneration information and position description provided.

20. On 14 May 2024, the Tribunal met with Mark Withers (CEO City of Port Adelaide Enfield), Tony Harrison (CEO City of Marion) and Maree Wauchope (CEO Barunga West Council). The Tribunal also separately met with the following representatives from the Whyalla City Council, Mayor Phill Stone, Kathy Jarrett (Director Corporate), Grant Jennings (Manager Finance and Knowledge Management) and Sue King (Manager People and Culture).

21. While there was broad support for a changed approach to setting minimum and maximum remuneration amounts, there was substantial diversity in the proposed approach. Very few

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submissions addressed current remuneration arrangements as distinct from proposing a broad approach.

22. The submissions indicated little support for consideration of Councils on an individual basis.
23. There was substantial support for the Tribunal's proposition that it could engage a specialist remuneration advisor to review individual CEO roles and provide advice to the Tribunal. Some concerns about the cost associated with this approach were noted.
24. Council submissions referred the Tribunal to various approaches, including the Western Australian approach and the current groupings for Local Government elected members.
25. Despite a request to this effect, less than a third of the Councils provided their CEO's position description.
26. A group submission made by the Port Adelaide Enfield CEO, supported by a significant number of Council CEOs, proposed an approach, broadly modelled on the Western Australian system, which reflected "market rates" and recognised regional issues, provided for 7 bands with substantial differences between the minimum and maximum amounts in each band.
27. The Tribunal has also accessed and considered substantial data about the characteristics and attributes of Councils. This data includes the following information:
    - ACLG Codes and Council in Focus groups
    - Council total operating income
    - Council staff size
    - Council areas
    - Council locations, including distance from Adelaide
    - Population density
    - Population dispersion
    - Council growth projections and histories
    - Socio-Economic indexes for Councils (based on Australian Bureau of Statistics data)
28. The Tribunal has consulted directly with 21 Mayors about how CEO performance and remuneration issues are addressed. The information these Mayors provided, together with the submissions, disclose a reasonable degree of consistency of approach to remuneration setting processes. This process consistency contrasts sharply with the significant differences in remuneration amounts for similar Councils, which were noted in the Tribunal's inaugural Report.
29. The Tribunal noted that Councils utilise external advisors to assist them, or a sub-committee of the Council, in reviewing CEO performance. On the premise that the Council is satisfied with that performance, the external advisor then commonly provides advice about comparable remuneration or remuneration increases. This advice typically proposes increases aligned with the Council's general enterprise agreement, whilst noting remuneration ranges of Councils based on the external advisor's knowledge of other Councils. In this regard, the comparisons may not relate to objectively determined groups of Councils. This approach has resulted in substantial intermittent remuneration adjustments. The approach to setting a remuneration level when a new CEO is appointed is highly variable, with some Councils bringing in new, and less experienced CEO's at substantially lower remuneration rates than their predecessors, with the expectation that rates for these CEOs will increase significantly as their performance develops. Many of the Mayors with whom the Tribunal consulted advised that they relied

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heavily on the bands set by the Tribunal as a guide to reviewing CEO remuneration. The Tribunal noted substantially different approaches to remuneration in predominantly rural areas and in areas where there has been a long serving CEO.

Individual Council applications for increased maximum remuneration amounts

30. On 9 July 2024, the Tribunal received an application and submission from the Principal Administrator of the District Council of Coober Pedy, for an increase in the maximum amount of remuneration it could pay to recruit a new CEO. This application followed multiple unsuccessful recruitment attempts. The Tribunal addressed this application in its Report 4 of 2024.

31. During the consultations with Mayors, another Council foreshadowed an application to increase the maximum amount payable to attract an appropriate candidate. This Council did not subsequently formally pursue this request, and the Tribunal was advised that a suitable applicant had been selected within the existing bands.

32. On 11 September 2024, the City of Holdfast Bay applied to have the maximum amount it could pay to a new CEO increased. While the City of Holdfast Bay subsequently advised that it received a range of applications, and the Tribunal has noted that an appointment has been made, the City of Holdfast Bay maintained its request to have the maximum amount increased. This application was addressed by the Tribunal in its Report 18 of 2024 where the Tribunal declined to make an individual Council Determination and advised that the City of Holdfast Bay position would be considered as part of this broader review.

33. The Tribunal has reviewed each of these Councils as part of this broader review.

The Tribunal's approach to reviewing minimum and maximum amounts

34. Consistent with its inaugural Report, the Tribunal considers that a more sustainable longer-term approach is necessary. Notwithstanding all the information which the Tribunal now has, it remains aware that some Councils have not provided submissions, that most of the Councils have not provided position descriptions and that a significant proportion of the submissions note unique characteristics of their Council.

35. It is also clear to the Tribunal that at least some Councils may have misunderstood the definition of remuneration and particularly, motor vehicle costing approaches and that some elected members, and possibly some CEO's may benefit from clarification of the principles being applied by the Tribunal. The Tribunal has provided additional clarification later in this Report.

36. The Tribunal acknowledges at the outset that the nature of its jurisdiction is inherently limited to the specification of minimum and maximum remuneration. It is not within the Tribunal's jurisdiction to determine allowances in addition to the minimum and maximum remuneration amounts. Accordingly, the Tribunal has reviewed an array of factors that are commonly considered in establishing remuneration levels. These range from regional attraction and retention components of remuneration to the recognition of the many functions undertaken by Local Governments that are outside of traditional expectations.

37. The Tribunal has adopted an approach whereby it seeks to achieve the following broad objectives:

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- Minimum and maximum remuneration amounts need to reflect the complexity of roles and responsibilities necessary to allow Councils to recruit and retain appropriately skilled and qualified CEOs.
- Remuneration minimums and maximums must provide a significant degree of assurance to Council ratepayers, that their CEO is being equitably remunerated.
- The minimum and maximum remuneration amounts need to provide an appropriate degree of guidance to elected members to assist them in setting and reviewing CEO remuneration.
- Any system of setting minimum and maximum remuneration must be capable of simple and low-cost revision to facilitate regular review.

38. The Tribunal has reviewed possible approaches against these broad objectives. The significant diversity of remuneration levels noted in the inaugural Report means that some Councils with similar characteristics pay their CEOs quite different remuneration, while some CEOs are paid similar remuneration despite working for Councils with substantially different characteristics.

39. The information available to the Tribunal confirms that the capability and performance of both elected members and CEOs impacts on remuneration considerations. However, recognition of performance issues is the prerogative of elected members and, if necessary, the State Government. Councils have the capacity to take account of CEO performance issues when setting remuneration between the minimum and maximum amounts set by the Tribunal.

40. The Tribunal does not consider a system whereby individual Council's apply to the Tribunal to review and set CEO remuneration is sustainable. Such a system would be administratively cumbersome and could create perceived or actual remuneration discrepancies between Councils.

41. A common argument was that the grouping arrangement traditionally applied by the Tribunal to assess elected member allowances should have been used as the basis for the grouping of CEO remuneration. These propositions similarly fail to meet the Tribunal's broad objectives. In its Report 2 of 2022, the Tribunal expressed reservations about the current groupings and invited Local Government to consider alternative approaches. The current groupings have their genesis in very dated population comparisons. If these same groupings were applied to CEOs, they would create significant anomalies and fail to recognise other characteristics of Councils relevant to the role complexity of CEOs. Furthermore, the gap between minimum and maximum remuneration levels would likely be so substantial that the objectives of providing assurances to Council ratepayers and guidance to elected members would not be met.

42. The Tribunal also considered use of the Australian Classification of Local Government (**ACLG**) categories, determined by the Australian Bureau of Statistics, as the basis for setting remuneration. The ACLG categories are based on population and population density and result in 16 categories for South Australian Councils. The Tribunal was not satisfied that the factors included in this system properly characterised CEO functions and, in any event, using such a system led to unsustainably large and inconsistent remuneration groupings.

43. The Tribunal has reviewed the Western Australian system of specifying minimum and maximum remuneration levels. This approach was considered in the development of the LG Act. That Western Australian system has now been in operation for many years and was initially established following a comprehensive review of each then current CEO job role. Of more recent times the number of groups of Councils has been reduced by regulation. Western Australia also has a longstanding and relatively consistent approach to the recognition of regional locations across public and many private sector occupational groups. There is no

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equivalent mechanism in South Australia. The Western Australian local government structures are significantly different to the South Australian structures in that there are many more smaller Councils. Finally, the adoption of the Western Australian approach would result in gaps between minimum and maximum remuneration amounts that are so substantial that they would also fail to meet the objectives of providing assurances to local communities and guidance to elected members.

44. The approach suggested by the significant group of CEOs also results in such a gap between minimum and maximum remuneration amounts that it fails to meet the Tribunal's objectives. Additionally, the Tribunal is not satisfied that such an approach would be sustainable on a long-term basis, particularly given the reservations it expressed in 2023.

45. The Tribunal considered engaging a remuneration specialist to consult individually with each Council to assess appropriate remuneration arrangements. It has decided such an approach would be both time consuming, and unnecessary given the substantial material already available to compare Councils. Such an approach would also impose a significant additional cost burden on the Local Government sector and would have the potential to become obsolete quickly.

46. The Tribunal has adopted an approach which takes account of key Council characteristics that impact on the complexity of the role. These characteristics need to have appropriate weightings attached to them. The overall approach must be consistent with common remuneration setting processes applied to public and private sector organisations.

47. A specialist remuneration advisory firm, Mercer Consulting (Australia) Pty Ltd (**Mercer**), was engaged to assist the Tribunal in ensuring the integrity and consistency of the component parts of remuneration considerations, and to facilitate a process by which the Tribunal could assess and weight the characteristics of Councils considered relevant to remuneration.

48. The brief given to Mercer had two broad components. Firstly, Mercer was asked to review the Tribunal's approach to, and definition of total remuneration package components, to provide maximum assistance to Councils and ensure a consistent and equitable approach to establishing minimum and maximum remuneration levels, in accordance with the direction on the total remuneration spread being provided to Mercer by the Tribunal.

49. Secondly, Mercer was asked to assist the Tribunal in developing bands or groups of Councils within a framework comprising of minimum and maximum remuneration levels determined by the Tribunal. For the avoidance of doubt, Mercer was not engaged to undertake an individual review of each Council, which would have had a significant cost associated with it.

50. In selecting the appropriate remuneration advisor, the Tribunal complied with the South Australian Government contracting approach. Additionally, because of the potential for any acknowledged expert in this field to be associated in some way with Local Government, the Tribunal received advice and guidance about its contracting processes from a probity advisor and has ensured that Mercer has undertaken this function in a manner which is separate from the remuneration advice that it may provide to Councils. It is appropriate that the Tribunal notes the Mercer contribution with thanks.

What is included in the Total Remuneration Package

51. In its inaugural Report the Tribunal stated the following:

"44. In determining what constitutes remuneration, the Tribunal has considered the following components:

• Monetary remuneration

• Superannuation, including the statutory minimum employer contributions, any salary sacrifice component and any additional payments made by a council

• Annual leave loading

• Additional leave entitlements

• Bonuses and performance incentives - in cash or otherwise

• The private benefit value of any motor vehicle and/or equipment (excluding mobile telephones and portable computing equipment provided to the CEO by the council)

• School or childcare fees, including school uniforms

• Newspaper/magazine/online subscriptions

• Personal travel or any other benefit taken in lieu of salary by the CEO (and immediate family at the discretion of the council)

• Health insurance

• Any and all allowances

• Any other form of payment - cash or otherwise

• Any Fringe Benefits Tax paid by council in respect of any of the above."

52. While the Tribunal is satisfied that the inclusion of these components is consistent with commonly applied remuneration definitions, it has reviewed these considerations as part of this Report.

53. The consultations with Councils disclosed a degree of confusion on the part of some Councils about how certain components should be costed.

54. The Tribunal has reviewed remuneration approaches through the survey information available from its 2022/23 CEO survey. Mercer has provided additional guidance on these issues, which has been, with the exception of housing and accommodation, generally accepted by the Tribunal. Consequently, the Tribunal confirms the following approaches to matters included within the concept of a total remuneration package, which it is satisfied reflect common public and private sector practices.

Motor Vehicles

55. The Tribunal notes that Councils may approve the provision of a motor vehicle to a CEO as part of the CEO's remuneration package, as a tool of trade or offer a motor vehicle allowance by way of additional remuneration.

56. The Tribunal obtained advice from Mercer on the inclusion of motor vehicles in a CEO's remuneration package. The Tribunal noted that a combination of accounting and remuneration packaging approaches are applied by Councils and concluded that, because of the diversity of vehicle cost assessments, and private use components, it is not possible to establish a common benefit value that can notionally be attached to the provision of a vehicle.

57. Having considered Mercer's advice, the Tribunal is of the view that if a motor vehicle is provided as part of the remuneration package, determining a benefit value depends on the type and cost of vehicle, and the extent of personal use of the vehicle along with other assumptions. The provision of the vehicle will be subject to Fringe Benefits Tax (**FBT**). The benefit value of the

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vehicle and FBT attributable to the personal use of the vehicle and all other monetary components and allowances in lieu of provision of a motor vehicle, other than as a tool of trade, must be included in the CEO's total remuneration and must not cause the CEO's total remuneration package to exceed the maximum of the remuneration range of the relevant band. Councils are responsible for complying with the requirements of the Australian Taxation Office (**ATO**) in relation to the calculation of the benefit and FBT, using any of the ATO approved methods. If a motor vehicle is provided as a tool of trade, no FBT is payable.

58. Further, a cash equivalent allowance in lieu of a motor vehicle will form part of the total remuneration package and form part of the CEO's total remuneration.

59. The Tribunal has not detailed the different approaches to motor vehicle costings adopted by the ATO as these are readily available to Councils. However, the Tribunal strongly recommends that Councils recognise that any benefit, relating to a motor vehicle, including the associated FBT, is included in, and not separate from, the CEO's total remuneration package.

Housing and Accommodation

60. The information available to the Tribunal confirms that Councils may offer housing or accommodation, or a housing allowance to a CEO to attract and/or retain that CEO or where suitable housing is not available.

61. The Tribunal acknowledges that the provision of housing in designated remote areas is exempt from FBT under the *Fringe Benefit Tax Assessment Act 1986* (Cth) and that the ATO is currently reviewing the relevant definitions and that the cost of Council owned housing is variable.

62. Mercer recommended that the provision of housing/accommodation or a housing allowance in a remote location not be included in the definition of remuneration. The Tribunal has not accepted this recommendation because it is concerned that such an approach creates potential substantial inequities, depending on the definition of remoteness for FBT purposes. Additionally, the Tribunal is concerned that the exclusion of housing provision or allowances from the definition of a total remuneration package, effectively invites its inclusion in areas where this is not currently applicable or required, with consequent cost implications for the Councils concerned. However, as explained later in this Report, the Tribunal has recognised locational remoteness as a factor in setting minimum and maximum remuneration bands.

63. This means that the cost of housing or accommodation, or an allowance for housing is a component of remuneration and should be recognised as such. The determination of the amount to be included in the total remuneration of the CEO is the amount that would be used to calculate the FBT payable (whether FBT is payable or not per ATO Remote Area definitions). The application of FBT is then a matter which is dependent on whether the relevant town or city is exempted from FBT by the ATO.

Superannuation

64. There are multiple different superannuation arrangements adopted for Local Government CEOs. These include accumulation-based schemes and defined benefit funds, with varying employee contributions. The Tribunal has adopted the position that, irrespective of whether the scheme is an accumulation or a defined benefit fund, the standard position is that superannuation costs should reflect the minimum employer contribution, which is currently 11.5%. If a Council contributes in excess of the minimum employer contribution amount, the superannuation component should be increased accordingly.

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Annual Leave of more than 4 weeks per annum

65. Two discrete arrangements for additional annual leave have been considered by the Tribunal.

66. Arrangements for purchased additional leave, whereby the additional leave is funded by additional working hours or through a reduction in weekly or monthly pay, do not represent an additional benefit.

67. In contrast, the Tribunal is aware of arrangements for CEOs where annual leave of more than four weeks per year is part of the remuneration package without any reduction in remuneration. This circumstance represents an additional cost impost on a Council so that the amount of leave in addition to four weeks needs to be added to the annual total remuneration package amount. The Tribunal is of the view that where additional leave is granted to remotely based CEOs to enable them to travel or return to their hometown or city without unduly impinging on the annual leave entitlement, this additional leave grant should not be included in the calculation of total remuneration.

Remuneration Definitions

68. The Tribunal has adopted the following definitions of remuneration components for inclusion in the Determination accompanying this Report:

Component	Definition
Monetary remuneration	Base salary (cash component).
Superannuation	Includes the statutory minimum employer contributions, any salary sacrifice component, and any additional payments made by a Council.
Annual Leave Loading	As defined in the relevant employment contract.
Additional Leave Entitlements	Dollar value of additional leave provided over and above statutory entitlement, except where this is provided to allow remotely based CEOs to travel to their hometown or capital city to commence / return from leave.
Bonuses	Dollar value of any bonuses or performance incentives, whether received in cash or kind.
Motor Vehicle	The value of the cash allowance or the private benefit value of the motor vehicle to the CEO using either the Prime Cost (depreciation), Operating Cost, or Statutory Formula in accordance with the ATO rules. Must include FBT payable by the CEO. Refer to: https://www.ato.gov.au/calculators-and-tools/fringe-benefits-tax-car-calculator
Housing Allowance	The dollar value of any housing allowance or rental subsidy and associated FBT. Consistent with the ATO remote area FBT requirements. Note, designated remote areas are exempt from FBT – refer to:

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	https://www.ato.gov.au/api/public/content/0-2f3d266d-5f78-4188-add6-f218387a0485?1730844950186
Other Fees and Allowances	Includes, but not limited to, any or all of the following: • School or childcare fees, including school uniforms • Newspaper/magazine/online subscriptions • Value of perquisites provided to the CEO i.e. memberships • Personal travel or any other benefit taken in lieu of salary by the CEO (and immediate family at the discretion of the council) • Health insurance • Any and all other allowances • Any other form of payment - cash or otherwise • Any Fringe Benefits Tax paid by council in respect of any of the above
Total Remuneration Package (TRP)	The total of all the above components.

69. Consistent with the approach taken in the inaugural Report, the Tribunal has concluded that mobile telephones and portable computing equipment provided to CEOs, fundamentally for work purposes, but which may be used for reasonable personal use, should not be regarded as remuneration for these purposes. The Tribunal considers that these items are inherent requirements for a CEO function and, in any event, any additional reasonable use represents a minimal additional cost such that separating personal and business use involves unreasonable administrative costs.

70. The Tribunal has not included professional development costs that directly relate to the performance of CEO duties and membership of professional associations related to the performance of CEO functions in its assessment of remuneration.

71. The Tribunal has not included one-off payments that relate directly and solely to relocation expenses in its consideration of remuneration.

Characteristics of Councils that differentiate between Council CEOs

72. To develop its approach to grouping and comparing Councils, the Tribunal has received substantial assistance from Mercer to ensure that its consideration of Council characteristics properly relate to expectations of CEOs. This analysis of Council characteristics that relate to the demands on CEOs has been conducted in two stages. The initial stage involved a comparison of the characteristics considered relevant to the complexity of the CEO role to establish a framework for consideration of Councils. The second stage has involved identifying appropriate minimum and maximum remuneration amounts.

73. As was the case in its inaugural Determination, the Tribunal has not included Roxby Downs Council in this review. This is because Roxby Downs Council operates under an indenture agreement and has an entirely different funding and operating base to every other Council.

74. In consultation with Mercer, the Tribunal considered all the available data about Council characteristics. It then selected the following primary and modifying criteria:

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CRITERIA		KEY MEASURE (SOURCE)	RATIONALE
PRIMARY CRITERIA	Revenue	Total operating income (Source: Council's Financial Statements)	Total operating income - General Rates; Other Rates; Other Charges; Mandatory and Discretionary Rebates & Remissions and Write-offs; Total Rates; Statutory Charges; User Charges; Grants, Subsidies and Contributions; Investment Income; Reimbursements; Other Income; Share of Profit - Joint Ventures & Associates. Reflects the scale and complexity of operations on an ongoing basis.
MODIFYING CRITERIA	Projected population grown	Annualised population growth based on data from 2021 to 2031 (Source: SA Department for Trade and Investment)	Adopting both a historical and projected view over a 10 year period smooths out/reduces any potential projection anomalies/errors. Any significant infrastructure and service delivery impacts on Council as a result of projected population growth would tend to be based on a longer term planning horizon. This measure picks up the complexities associated with future planning and infrastructure development that is not captured in the total operating income of Council or the other modifying criteria.
	Population Dispersion	Population dispersion based on estimated average distance (in kilometres) between each person in the council area and the centre of population for the region (Source: Keystone Data)	Population dispersion considers both population and geography. It reflects the travel demands placed on Chief Executives in geographically dispersed councils that is not captured by total operating income, or the other modifying criteria. It also acts as a proxy for a travel allowance.
	Distance from Adelaide	Distance of primary council location from Adelaide (Source: SA Remuneration Tribunal)	Recognises the need to travel to access services not available within the council area (e.g. medical and education) which, while not directly impacting the complexity of the CEO role, creates greater distance and travelling challenges for CEOs in rural and remote areas.
	Socio-economic Advantage / Disadvantage	SEIFA index of relative socio-economic disadvantage, decile (Source: ABS)	SEIFA is a commonly used measure to assess the socio-economic status of an area and accounts for differences in complexities of councils with different levels of socio-economic advantage/disadvantage. Council areas with a lower decile are considered more complex.

75. The Tribunal has adopted the position that the single most significant characteristic of Councils that impacts on the CEO roles is total operating income (as defined in reports periodically issued by the SA Local Government Grants Commission) as described in the above table. There is a close correlation between total operating income and staffing numbers and close

links between recognition of significant additional functions undertaken by some Councils beyond the normal range of Council activities. In short, as operating income increases, so too does the overall complexity of the CEO role.

76. The Tribunal has utilised the SA Local Government Grants Commission's total operating income data for the 2022/2023 financial year as the latest available data.

77. The Tribunal's initial assessments excluded Adelaide City Council and involved the allocation of each Council to one of eight bands based on the total operating income ranges shown below.

Category	Upper	Lower
1	$210M	$140M
2	$140M	$76M
3	$76M	$56M
4	$56M	$38M
5	$38M	$21M
6	$21M	$15M
7	$15M	$6M
8	$6M	$0

78. The Tribunal has considered the most appropriate approach to be applied to the Adelaide City Council given its relatively high total operating income, its relatively low population base, and the extent to which there are over 400,000 daily users of council facilities and services, most of which involve non-residents. The Adelaide City Council has a vastly different constituent base consisting of predominantly corporate enterprises. It also has a strong commercial focus, owns, and manages two significant subsidiary operations (the Adelaide Central Market Authority and the Adelaide Economic Development Authority), together with the Kadaltilla/Adelaide Park Lands Authority.

79. While the option of a market-based assessment for the Adelaide City Council, drawing on data from similarly sized organisations across Australia was considered, this approach was ultimately rejected because it did not properly consider local government specific characteristics. Comparisons with other capital city CEOs was also not preferred because of the diversity of the other state approaches.

80. Ultimately, the Tribunal determined to create an additional band for the Adelaide City Council, using the same methodology that was applied to other Councils. This approach most accurately reflects the recruitment patterns for the Adelaide City Council over the past 15 years. It means that, while there are 9 bands of Councils, the highest band is applicable only to the Adelaide City Council. None of the modifying criteria considered below have application to the Adelaide City Council.

81. The Tribunal has selected four other criteria which are factors most likely to require further differentiation between Councils which was not captured by total operating income considerations.

82. These are:

    a. Projected population growth which impacts on a Council's planning and service delivery requirements and hence the demands and expectations of a CEO. This was determined to be the most significant modifying factor.
    b. Population dispersion which is a measure of the estimated average distance between each person in a Council area and the population centre for that region. This is a measure of relevance to regional Councils as it represents additional

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service delivery and complexity demands on the CEO. The Tribunal has relied on data from 2021 to 2031 provided by the SA Department for Trade and Investment.

c. Distance from Adelaide measured from the primary Council location. This reflects isolation, attraction, and retention issues, together with the challenges associated with functioning in more remote locations with substantially increased distances.

d. Socio-economic advantage/disadvantage. This has been assessed using the Australian Bureau of Statistics Socio-Economic Index for Areas and takes account of differences in the complexities of Councils with differing levels of socio-economic advantage or disadvantage. The greater the degree of comparative disadvantage, the greater the complexity of the CEO role.

83. The Tribunal defined measures of each of these modifying criteria and attached a score of between 1 and 3, depending on the characteristics of the Council. These scores were then weighted, depending on the Tribunal's assessment of the significance of the modifying criteria.

84. This approach is summarised in the following Table prepared by Mercer.

Level of Complexity	Score	Projected population Growth	Population Dispersion	Distance from Adelaide	Socio-economic Status (SEIFA)
Low Complexity	**1**	Less than 0.56% per annum	Less than 8.45km	Less than 187.1km	Greater than or equal to decile 7
Medium Complexity	**2**	From 0.56% up to 0.89% per annum	From 8.45km up to 17.3km	From 187.1km up to 382km	Between decile 6 and 4
High Complexity	**3**	Greater than or equal to 0.89% per annum	Greater than or equal to 17.3km	Greater than or equal to 382km	Less than or equal to decile 3
Weighting		60%	10%	10%	20%

85. Except for the SEIFA score, the Tribunal applied a low complexity or score of 1 to Councils with less than the 50th percentile for that category. A medium level complexity or score of 2 was allocated to Councils between the 50th percentile and the 75th percentile and a high complexity rating or score of 3 was applied to Councils in the upper 25th percentile. The reverse approach was applied with respect to the SEIFA Index. These percentiles are based on the actual distribution of data across the Councils.

86. The weighted average was then utilised to determine if a Council could increase levels by one category from its initial placement using total operating income. This was done by using a cut-off point of a weighted average greater than 2.2, which recognises a prudent buffer above the weighted average medium complexity score of 2, as shown in paragraph 84. This is consistent with the approach adopted by the Tribunal in setting the highest level of complexity for each of the modifying criterion at the 75th percentile.

87. A table showing the application of these modifying criteria is shown below.

Council	Projected Population Growth	Population Dispersion	Distance from Adelaide	Socio-Economic Status
Onkaparinga	2	1	1	2
Charles Sturt	3	1	1	1
Salisbury	2	1	1	3
Port Adelaide Enfield	3	1	1	2

Playford	3	1	1	3
Marion	2	1	1	1
Tea Tree Gully	2	1	1	1
Holdfast Bay	1	1	1	1
West Torrens	2	1	1	1
Mitcham	1	1	1	1
Mount Barker	3	1	1	1
Campbelltown	3	1	1	1
Alexandrina	3	2	1	2
Unley	2	1	1	1
Burnside	2	1	1	1
Adelaide Hills	2	2	1	1
Norwood Payneham & St Peters	3	1	1	1
Murray Bridge	3	1	1	3
Barossa	3	2	1	1
Mount Gambier	2	1	3	3
Yorke Peninsula	2	3	2	2
Copper Coast	3	1	1	3
Whyalla	1	1	3	3
Gawler	3	1	1	2
Port Augusta	1	1	2	3
Victor Harbor	3	1	1	2
Wattle Range	1	3	3	3
Port Pirie	1	1	2	3
Mid Murray	2	3	1	3
Light	3	2	1	1
Prospect	2	1	1	1
Loxton Waikerie	1	3	2	2
Port Lincoln	2	1	3	3
Berri Barmera	1	1	2	3
Renmark Paringa	1	1	2	3
Kangaroo Island	3	3	2	1
Naracoorte Lucindale	1	2	2	2
Tatiara	1	3	2	2
Clare and Gilbert Valleys	1	2	1	1
Coorong	1	3	1	3
Wakefield	1	3	1	3
Grant	2	2	3	1
Coober Pedy	1	1	3	3
Lower Eyre Peninsula	1	3	3	1
Adelaide Plains	3	2	1	2
Yankalilla	3	1	1	2
Northern Areas	1	2	2	2
Goyder	1	3	1	3
Streaky Bay	1	3	3	1
Ceduna	1	2	3	3
Walkerville	2	1	1	1
Franklin Harbour	1	1	3	2
Mount Remarkable	1	3	2	2
Southern Mallee	1	3	2	1
Kingston	1	2	2	2

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Robe	1	1	2	1
Barunga West	1	2	1	3
Tumby Bay	2	2	3	1
Cleve	2	2	3	2
Wudinna	1	2	3	1
Kimba	1	2	3	1
Flinders Ranges	1	3	2	3
Peterborough	1	1	2	3
Elliston	1	3	3	2
Karoonda East Murray	1	3	1	2
Orroroo Carrieton	1	2	2	1

88. The adoption of this approach resulted in 11 Councils being moved up into the next highest band.

89. A Table showing the final Council grouping after the modifying criteria were applied is shown below.

Council	Initial Band based on Total operating income	Weighted Average Modifying Categories	Adjusted Band
Onkaparinga	1	1.8	1
Charles Sturt	1	2.2	1
Salisbury	1	2.0	1
Port Adelaide Enfield	1	2.4	1
Playford	2	2.6	1
Marion	2	1.6	2
Tea Tree Gully	2	1.6	2
Holdfast Bay	2	1.0	2
West Torrens	3	1.6	3
Mitcham	3	1.0	3
Mount Barker	3	2.2	3
Campbelltown	3	2.2	3
Alexandrina	3	2.5	2
Unley	3	1.6	3
Burnside	4	1.6	4
Adelaide Hills	4	1.7	4
Norwood Payneham & St Peters	4	2.2	4
Murray Bridge	4	2.6	3
Barossa	4	2.3	3
Mount Gambier	4	2.2	4
Yorke Peninsula	4	2.1	4
Copper Coast	4	2.6	3
Whyalla	4	1.6	4
Gawler	5	2.4	4
Port Augusta	5	1.5	5
Victor Harbor	5	2.4	4
Wattle Range	5	1.8	5
Port Pirie	5	1.5	5
Mid Murray	5	2.2	5

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Light	5	2.3	4
Prospect	5	1.6	5
Loxton Waikerie	5	1.5	5
Port Lincoln	5	2.2	5
Berri Barmera	5	1.5	5
Renmark Paringa	5	1.5	5
Kangaroo Island	5	2.5	4
Naracoorte Lucindale	5	1.4	5
Tatiara	6	1.5	6
Clare and Gilbert Valleys	6	1.1	6
Coorong	6	1.6	6
Wakefield	6	1.6	6
Grant	6	1.9	6
Coober Pedy	6	1.6	6
Lower Eyre Peninsula	6	1.4	6
Adelaide Plains	6	2.5	5
Yankalilla	6	2.4	5
Northern Areas	7	1.4	7
Goyder	7	1.6	7
Streaky Bay	7	1.4	7
Ceduna	7	1.7	7
Walkerville	7	1.6	7
Franklin Harbour	7	1.4	7
Mount Remarkable	7	1.5	7
Southern Mallee	7	1.3	7
Kingston	7	1.4	7
Robe	7	1.1	7
Barunga West	7	1.5	7
Tumby Bay	7	1.9	7
Cleve	7	2.1	7
Wudinna	7	1.3	7
Kimba	7	1.3	7
Flinders Ranges	7	1.7	7
Peterborough	7	1.5	7
Elliston	7	1.6	7
Karoonda East Murray	8	1.4	8
Orroroo Carrieton	8	1.2	8

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Remuneration Ranges

90. Having developed a model for the grouping of Councils, the Tribunal has applied the 2022/23 CEO remuneration levels to this structure with a further increase factored in for the period from the July 2024 Interim Report and Determination.

91. A $190,000 minimum remuneration amount has been adopted as the minimum remuneration amount. This is less than the current minimum CEO remuneration level and hence gives Councils in that lower range enhanced capacity to apply a lower starting salary to a new, inexperienced CEO.

92. The Tribunal has then applied an increase to this minimum to arrive at the mid-point for the lowest band 8. That mid-point then becomes the minimum remuneration level for band 7. This pattern has been repeated for each band. The eight bands determined the range size based around a midpoint assessment for each band. Therefore, the bandwidth increases as the remuneration amounts increase.

93. This reflected the extent to which the Council CEO market is essentially an internal South Australian market. The operation of the model has identified those Councils that are, on the model criteria, out of step with comparable Council CEOs. The Tribunal has assessed the maximum remuneration payable on the basis of overall remuneration trends within the South Australian Local Government sector.

94. The Tribunal has established overlapping remuneration ranges. These provide Councils with increased flexibility in establishing remuneration levels, particularly when recruiting inexperienced CEOs.

95. Whilst it has some reservations, the Tribunal has also increased the remuneration bandwidth for each band. This is intended to provide added flexibility to attract and retain CEOs and to recognise performance in the role.

96. The Tribunal reviewed its decision that, without considering Adelaide City Council, eight bands was a sustainable grouping of Councils. It considered a lessor number of bands, but this created such a broad bandwidth that the value of the banding to elected members and Council ratepayers would be substantially reduced and hence run counter to the established objectives. An increased number of bands was also considered but this created a system which required substantially more maintenance and more frequent reviews, which again ran counter to the sustainability objective.

97. The remuneration minimum and maximum for the Adelaide City Council has been established using the same methodology as outlined earlier in this section.

98. The allocation of Councils to the bands is shown in the Table below.

Band	Number of Councils	Minimum	Maximum	Bandwidth
Adelaide City Council	1	$386,710	$458,557	$68,847
1	5	$353,839	$419,580	$65,741
2	4	$323,763	$383,916	$60,153
3	8	$296,243	$351,283	$55,040
4	10	$271,062	$321,424	$50,362
5	12	$248,022	$294,103	$46,081
6	8	$226,940	$269,104	$42,164
7	18	$207,650	$246,230	$38,580
8	2	$190,000	$225,301	$35,301

99. The Tribunal's interim 2024 Report and Determination applied a 2% increase to the maximum remuneration levels. For the purpose of this assessment, the Tribunal applied a further increase, since that interim 2024 decision. This approach appears broadly consistent with enterprise agreement based wage increases in the Local Government sector. It does not consider any significant CEO remuneration adjustments that may have occurred since 2022/23. Again, this forms part of the Tribunal's decision to issue a draft Determination.

100. The Tribunal has noted that, based on the 2022/23 remuneration data there are a small number of Councils that are likely to be significantly above or below the proposed minimums and maximums.

101. The Tribunal's assessment of increases since 2023 indicates that 62% of Councils are remunerating their CEOs at levels consistent with these bands. A small percentage of Councils appear likely to be more than $5000 above or below a band. More accurate estimates will

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require that Councils review CEO remuneration components against the definitions set out by the Tribunal and that they confirm actual FBT obligations.

Phased in Compliance

102. Nevertheless, the Tribunal is acutely conscious that significant deviations from its minimum or maximum remuneration levels have the capacity to adversely impact Councils in terms of potential cost imposts or the loss of key staff. To this end, the Tribunal proposes to provide Councils with the capacity to phase in compliance with the relevant minimum or maximum remuneration over the next year. Where achievement of compliance involves increases, or reductions, that are greater than $5,000 per annum, compliance should be achieved over a two year period.

Frequency of Reviews

103. The Tribunal proposes that the remuneration amounts incorporated in the proposed framework will be reviewed annually. While it recognises that the normal Local Government enterprise agreement approach is to link wage movements with consumer price movements, the Tribunal has declined to establish an automatic linkage of that nature. There are many organisations and occupations where CEO remuneration is not automatically tied to inflation and, particularly relative to Local Government, which is substantially funded by ratepayers, an absolute guarantee of inflation matching wage increases is not considered appropriate.

104. Independently of the remuneration amounts, the Tribunal has adopted the position that the bandings will be reviewed every two years, against each of the relevant criteria incorporated in the framework. These reviews will also provide an opportunity to review the remuneration framework.

Opportunity to Comment

105. The Tribunal has determined to provide a draft Determination consistent with this Report to give Councils and CEOs an opportunity to identify issues they consider may not have been adequately considered in the development of this remuneration framework.

106. Most Councils, Mayors and CEOs who have put views to the Tribunal, have asserted that their Council is unique or different. The Tribunal has adopted an approach which seeks to recognise this diversity, while meeting the specified objectives. Whilst the Tribunal has not limited the range of factors about which comments may be made, comments about the nature of the remuneration framework, or about potential implementation issues are particularly invited.

107. The Tribunal notes it arrived at a separate assessment for the District Council of Coober Pedy in September 2024 because of its unique circumstances (see Determination 4 of 2024). The application of the approach in the framework adopted in this Report results in a different maximum amount applicable to Coober Pedy. The Tribunal notes that the District Council of Coober Pedy, as the most remote Council and most differentiating Council, may wish to provide advice to the Tribunal about this approach.

108. Any responses to this invitation should be provided to the Tribunal by 12 March 2025. The Tribunal does not currently intend to provide extensions of time. A binding Determination will be issued soon after this date. The Tribunal expects that this final Determination will take effect from 1 January 2025, consistent with the advice it has already provided to Councils.

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109. The adoption of this approach does not prohibit a Council from seeking an individual review of its banding. Councils with demonstrable concerns about the effect of their band allocation will be expected to provide information that establishes the basis for their position relative to other Councils. Requests of this nature should also identify the impact of the currently specified minimum and maximum amounts, in the context of the model that the Tribunal has outlined in this Report, rather than simply referring to traditional comparisons with other Councils.

Next Steps for Councils

110. The Tribunal does not have the jurisdiction nor desire to provide tax advice to Councils, relating to FBT, but notes different approaches to these issues and recommends that individual Councils review those approaches.

111. The Tribunal strongly urges elected members of Councils to seek from their staff a complete explanation of their current CEO remuneration against the component elements of the total remuneration which is explained in this Report and the draft Determination. Without such an understanding, there is a substantial risk that this Report could be misunderstood and misapplied because the component parts of a CEO's remuneration under the terms of a contract or even traditional reporting structure may differ from the approach adopted by the Tribunal. Further, the Tribunal's discussions with Mayors disclosed continuing potential for a misunderstanding of the legislative function of minimum and maximum remuneration levels.

112. As only a third of the Councils provided the Tribunal with position descriptions for their CEOs, Councils are urged to ensure that these descriptions exist and are in a form which facilitates the accurate assessment of performance. To the extent that some Councils may not be able to reach a consensus on CEO performance expectations, this is also essential.

113. Any objections to the draft Determination should include the current CEO remuneration components and movements since 2022/23 in accordance with the remuneration definitions set out in paragraph 68.

114. It is the responsibility of each Council to set CEO remuneration within the specified minimums and maximums.

115. The Tribunal anticipates that Councils will also consider the implications of remuneration adjustments for their CEOs, on the senior staff who report to their CEOs.

116. As the Tribunal has already noted, section 147(5) of the *Statutes Amendment (Local Government Review) Act 2021,* may impact on the requirement to comply with the specified minimum and maximum remuneration levels. Again, as the Tribunal has noted, that is a matter for those Councils to consider.

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ATTACHMENT B

TOWN OF WALKERVILLE

MAYOR OF THE TOWN OF WALKERVILLE

File number: XXX
Please quote ref: XXX
Contact officer: XXX

February 2025

Remuneration Tribunal of South Australia
GPO Box 1045,
Adelaide SA 5001

E: remunerationtribunal@sa.gov.au.

Dear Commissioners,

Re: Draft 2024 Review of Remuneration for Local Government Chief Executive Officers

Town of Walkerville considered the above report of the Remuneration Tribunal at its meeting held on 17 February 2025, and subsequently authorised the following submission be provided to the Tribunal for its consideration.

Town of Walkerville has significant concern in relation to the draft report as it has a substantial impact on the Council, both immediately and into the future. The Council's strong recommendations to the Tribunal is that:

- the existing contracts with current CEOs should be honoured and grandfathered out for the remaining term of the existing contract (rather than a two-year phase-in period); and
- the Tribunal review the band that Town of Walkerville has been included in as Council believes it is inappropriate and that it will hamper future efforts to recruit a suitable CEO.

In making these recommendations to the Tribunal, Town of Walkerville wishes to raise the following points for the Tribunal's consideration.

It is noted that the proposed draft bands and two-year implementation window significantly impacts Town of Walkerville, and more than any other council in the State. The proposed change in the Council's classification from Band 5 ($299,520 - $323,544) to Band 7 ($207,650 - $246,230) represents a reduction of $53,290 (or 18%) from the current bottom of Band 5 ($299,520) and the proposed top of Band 7 ($246,230).

Council recently entered into a contract with a new Chief Executive Officer in December 2024, after an extensive search, in good faith, at an agreed remuneration at the bottom of the previous Band 5, as required under the Remuneration Tribunal's previous decision.

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The Corporation of the Town of Walkerville
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Council wishes to honour the contractual arrangement it has put in place for the five year period which both parties, in good faith, entered into the contract for. Council is aware that the contract entered into with its new CEO is consistent with the previous incumbent, and that the total remuneration package payable has been included in the Council's public salaries register and other public documents. Council has been transparent to the community in relation to this matter.

The change to the banding of Town of Walkerville and the two-year phase-in period thus presents the Council and the community with a number of significant issues, including its ability to retain its newly appointed CEO and its ability to then attract a suitably qualified and experienced CEO to replace them in the future.

Town of Walkerville believes that to comply with the draft determination is not in the best interest of Council or the community it represents, as the Council will likely need to recruit a new CEO, at a point in time where continuity in the role of the CEO is important and is critical to the success of Council and a number of major projects that the Council has embarked on. Council has been disrupted by not having continuality in this key leadership position which has seen the Council being on its third CEO in three years and it does not wish to recruit a fourth CEO in two years time, on the assumption the current CEO will not accept a significant reduction in remuneration, as proposed in the draft determination, and one well below the previous role he held.

For this reason, Town of Walkerville strongly recommends to the Tribunal that existing contracts which councils and CEOs have entered into, in good faith, based on the Tribunal's determination at the time, should be honoured, rather than having a two-year phase-in period.

Town of Walkerville also has concerns as to the band it has been placed into and the salary range apportioned to that band. The Council believes that this band will significantly impact its future CEO recruitment efforts. The lower band will, in effect, take away the option for the Council to recruit an experienced CEO or have an experienced director of a metropolitan council step up to the role of CEO at Town of Walkerville.

Council is also surprised that the Tribunal has almost solely relied on income as a determination of the various bands. Town of Walkerville has been placed in a band with a number of very small remote councils which Council believes does not reflect the population of Walkerville, the size of developments (up to 10 stories) it must manage, the volume of infill development and the resultant impact on services and infrastructure, and the differences in serving a metropolitan population compared to smaller remote councils.

It is also noted, that by predominately using revenue as a means of determining CEO remuneration, the Tribunal may potentially be encouraging behaviour that is contrary to the sectors and the community's interest. Town of Walkerville prides itself on operating in a financially prudent manner by constraining costs at every avenue, including maximising the use of share services with other councils and the extensive use of contractors, to reduce the amount of rates it needs to raise. This now may have had the unintended consequence of both reducing our ability to attract and retain a CEO to lead our organisation and our ambition of achieving further efficiency gains in the organisation.

Council believes that it is more appropriate for Town of Walkerville to be in Band 5 (salary range) and/or for the Tribunal to undertake a review of the salary range applicable to each band.

Town of Walkerville strongly recommends that the Tribunal review the band that Town of Walkerville has been included in as Council believes it is inappropriate and that it will hamper the Council's future efforts to recruit a CEO.

It is also noted that the Tribunal's decision in relation to CEO remunerations has varied significantly over the last two years, for not only Town of Walkerville, but also for many other councils across the State. This uncertainty, and the lack of any reliance that can be placed on an employment contract, will make it difficult to attract and retain a CEO for many councils, particularly if the CEO is required to relocate their family to take on a new role. This uncertainty may lead to CEOs requesting a salary at the higher end of a band than would otherwise be the case, due to the uncertainty as to what they will actually be paid during the course of their contract. I am not aware of any industry, including the public sector, where significant retrospective changes to common law contracts have occurred.

Please feel free to contact me for further information in relation to this matter and I am more than prepared to meet with the Tribunal to discuss the issues raised in more detail.

Yours sincerely,

Melissa Jones

Mayor of Walkerville

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